

# NCUA IS EXAMINATION POLICY ISSUANCES

## CHAPTER 28

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# National Credit Union Administration Board

**CUL-109**  
**September, 1989**

**TO THE BOARD OF DIRECTORS OF THE FEDERALLY INSURED CREDIT UNION  
ADDRESSED:**

## **INFORMATION PROCESSING ISSUES**

For your reference I am enclosing papers from the Federal Financial Institutions Examination Council (FFIEC) which outline issues and risks associated with certain computer operations.

Credit unions will continue to benefit from "distributed" processing systems if proper controls are set up, as suggested in one of the papers. Likewise, large-scale integrated systems (LSIS) are becoming more common and also require proper controls, as indicated in another paper.

Guidelines for contingency planning are also included here. Each board of directors should ensure that a comprehensive contingency plan is put in place and tested regularly. Because such planning has become crucial to credit union operations, contingency plans and test results will be reviewed and evaluated during future supervisory examinations.

For the National Credit Union Administration Board,

/s/Roger W. Jepsen  
Chairman

See FFIEC Policies SP-3, SP-4, and SP-5 for details.

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# National Credit Union Administration Board

**CUL-122**  
**February, 1991**

**TO THE BOARD OF DIRECTORS OF THE FEDERALLY INSURED CREDIT UNION  
ADDRESSED:**

## **INFORMATION PROCESSING ISSUES**

For your reference, I am enclosing three papers, one from the National Credit Union Administration (NCUA) and two from the Federal Financial Institutions Examination Council (FFIEC), which outline issues related to the automated processing of credit union information.

Many credit unions use information system service bureaus for their data processing needs. There is the potential for certain risks to all financial institutions that contract out for these services. The first paper explains NCUA's program to examine and assess the safety and soundness of organizations that provide data processing services to federally insured credit unions. These reviews will bring NCUA in line with the other federal financial institution regulators that have been performing these types of examinations for many years.

On a related issue, the second paper alerts management to specific risks and accounting problems that have been identified in some federally insured financial institutions using data processing services from outside vendors.

NCUA continues to stress the importance of strategic planning in all areas of credit union operations. As such, I am releasing the third paper, addressing the issue of strategic information systems planning as part of the overall planning process for your institution.

For the National Credit Union Administration Board,

/s/Roger W. Jepsen  
Chairman

See FFIEC Policies SP-6 and SP-7 for details.

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# **ATTACHMENT**

## **CUL-122**

### **February, 1991**

#### **POLICY STATEMENT FOR THE REVIEW OF INFORMATION SYSTEM VENDORS:**

The National Credit Union Administration (NCUA) has established a program to perform on-site examinations of information system vendors. This program was initiated because of the critical importance automated information systems have to many credit unions. There is the potential for a high degree of risk to credit unions and the National Credit Union Share Insurance Fund should problems occur with these vendors or their products. Assessing this potential risk, with both individual vendors and the industry as a whole, is a key element of this examination program.

#### **BACKGROUND**

Information system vendors provide a variety of products and services to federally insured credit unions. These include:

- service bureau services (remote, on-line information processing)
- turnkey systems (complete in-house information processing systems, including equipment and vendor developed and supported software)
- software products (for use on credit union-owned hardware)
- facilities management services (vendor supplied personnel and expertise to operate a credit union-owned system)

Vendors may be private companies or credit union service organizations (CUSOs).

#### **SCOPE**

NCUA will be accessing the overall safety and soundness of information system product providers. The following areas will, at a minimum, be included in the scope of our reviews:

- organization and management
- strategic planning
- financial condition
- data center controls
- systems and programming controls
- backup and recovery methods and testing
- contingency planning and testing
- customer contracts
- interest and dividend computations
- delinquency calculations

Other areas of a vendor's operation may be reviewed as necessary.

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## **METHODOLOGY**

NCUA will contract with third-party information system auditing specialists to act as our agents in performing these examinations. This is being done to augment our in-house information system auditing resources and facilitate the completion of work in a timely manner.

NCUA plans to perform reviews of approximately 20 information system vendors per year. Initially, we will focus on the largest service bureau vendors. In subsequent years, we will expand our reviews to include other information system providers and perform follow-up examinations as needed.

## **RESULTS**

NCUA will work directly with information system vendors to correct any deficiencies found in our reviews. If deficiencies are corrected within a reasonable period of time, NCUA will not issue a report of our findings. If, however, a vendor will not agree to, or does not correct, any significant problems noted in our review, a written report of our findings will be issued to all credit union customers of the vendor and to all NCUA examiners.